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# RAILROADS AND THE PUBLIC

## AN ADDRESS

DELIVERED BEFORE THE

Contemporary Club of Philadelphia

BY JOSEPH D. POTTS

MEMBER OF THE AMERICAN SOCIETY OF CIVIL ENGINEERS, AND OF THE  
AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE

JANUARY 12, 1892

REPRINTED MAY 19th, 1911:

Nineteen (19) years ago Col. Joseph D. Potts, an eminent Engineer and a widely recognized authority in matters relating to Transportation, uttered a truth the vital importance of which was at that time only vaguely understood or appreciated. (See page 6.)

**"WE MUST HAVE A SEPARATION  
OF TERMINAL AND TRANSFER  
CHARGES—FROM THE ROAD  
CHARGES."**

Today this truth is beginning to be recognized as fundamental.

Road cost, that is, the cost of Transporting Merchandise between Terminals, is comparatively uniform. Terminal and Transfer costs or allowances are often heavy, and vary greatly according to the natural or artificial advantages or disadvantages of different localities.

The logical conclusion is, that the charge for Transportation should be based on the comparatively uniform "road cost" plus the actual "Terminal and / or Transfer costs," pertaining to the particular points of Origin and Destination.

No locality or individual should be deprived of the benefit of its or his natural or acquired advantages, in order that the disadvantages of another locality or individual may be neutralized.





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Bureau of Railway Economics

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*Mr. President, and Ladies and Gentlemen:*

The question of Transportation, a certain phase of which you have just heard discussed, is one of the weightiest of living topics. It has grown more rapidly than it has been comprehended; and the commercial health of the Nation requires that this condition be changed; that its essential principles be broadly understood, and the proper regulation of its great power be intelligently, justly, and completely established.

I hope you will not consider it unfitting if I refer, by way of a short prelude, to what may be deemed the Genesis of Transportation; to the imperative character of the instincts it has been created to gratify; instincts which have grown, and which will continue to grow in volume and force, as means for their gratification increase in extent, in excellence, and in cheapness.

The impulse to movement, to motion, to change of locality, seems inherent in all matter. The great spheres which occupy space are forever moving; the infinitesimal atoms of which matter consists are never quiet, excepting under restraint. Animal life has its recurring periods of restlessness, and the human animal, man, is dominated by the same irresistible law. Only the restraints of inconvenience, lack of physical power, and lack of time keep mankind within reasonable bounds of quietude. The possession of money in modern times somewhat lessens the force of these restraints, and the palpable results of such possession has led an acute observer to say that "when a rich American has built himself a house in the city, another in the country, and a cottage by the sea or in the mountains,—then—he travels." The motives to

movement are multitudinous; to movements of persons, of property, of ideas; motives of pleasure, of sorrow, and of gain; the supply and reception of news, and the demand and supply for and of materials for use and gratification. These motives are endless in quantity and variety, but they are all in constant activity; and they all impel and compel movement.

The palliation and the partial removal of the forms of restraint just named, which so hamper these ever-present impulses to movement, has become in modern days one of the greatest of human industries. It is the Science and the Art of Transportation.

Let us glance briefly at some of the achievements of this immense industry. Instead of the rugged and broken natural surface of the earth, to be wearily and slowly plodded over on foot, in danger, with exhausting toil, with great loss of useful time, and with the most barbaric discomfort, we have the smooth railway and the vestibule train, and we eat and sleep in luxury, comfort, and safety, while gliding easily along at fifty miles an hour. The great water surfaces of the globe, upon which in his early history man could not safely venture, are now traversed in huge vessels, safely, comfortably, and swiftly, and with such certain punctuality, that spaces of thousands of miles are covered with variations of but a few hours in the times of the voyages; and, indeed, under favoring conditions of sea and weather, these differences are measured by minutes.

Our ideas are passed from point to point with still greater perfection of method. The telegraph, the telephone, and the extraordinary postal systems of civilized countries, especially that of the United States, make the interchange of ideas rapid and cheap to a degree which but a short time since would have appeared impossible, unless it had been wrought miraculously.

If we turn from what has been done in the way of removing restraints on the movement of man and his belongings, to the effect which such partial removals have worked, we will find the most abundant confirmation of the declaration already made, that this tendency is constant and all-pervading, and

that nothing but natural hindrances prevent its increasing conversion from tendency to deed.

Bear in mind that Transporters have not wholly removed difficulties; they have only modified some of them, and this, in part, by converting them into a new form of difficulty; the new form being a charge of money. Instead of spending time and strength in tramping from place to place, the traveler buys a ticket, for which he disburses money; instead of carrying his goods on his back through the wilderness, he pays a freight rate, and for the sending of his letters three thousand miles, he uses a stamp which costs him two cents.

He can earn the requisite cash for the ticket, for the freight rate, and for the stamp, with much less outlay of time and of labor than was required, when, by his own efforts, his person or his property was moved; so that, while his movement is still under restraint, still subject to whatever difficulties may be represented by the rates of charge and the conditions made by Transporters, his restraint has been greatly lessened, and the extent of movement has, therefore, been greatly enlarged.

I don't wish to worry you with statistics, but I will venture to give you a few figures, because in no other way can you be so briefly shown how increases in movement have followed the physical improvements and the lessened cost already established by Transporters.

Take an example from the movement of property:—

On the railroads of the United States the average charge for moving one ton of property, one mile, was—

In 1880 .....	$1\frac{2}{100}$ cents
In 1890 .....	$\frac{9}{100}$ cent

The tons moved one mile per each person of the entire population of the United States were—

In 1880 .....	645
In 1890 .....	1265

That is, the reduction in rates was a little more than one-fourth per ton, while the increase in movement, per person, was nearly doubled.

Take an example from the movement of letters:—

The rate of letter postage charged by the United States was—

In 1880, for a half ounce or less.....	3 cents
In 1890, for an ounce or less.....	2 cents

The movement of letters through the mails during the same years, for each person of the entire population, was—

In 1880, approximately .....	21
In 1890, approximately .....	30

Disregarding the effect of the change in maximum weight, as an effect, the extent of which cannot now be ascertained, we find the result to be a deduction in charges of one-third per letter, and an increase in movement of nearly one-half per person.

All hindrances to movement, however, are not yet represented by a charge. Some loss of time is yet involved, and in the cases of long journeys, very much time, which often can be illly spared. Our practical speed, however, is yet slow; not over fifty miles per hour, and betterments in this respect can be reasonably hoped for. It is much slower than certain varieties of birds are said to have attained, and, what birds have done, man can probably do. Some bodily wear and tear is yet a necessity, and this may never be wholly removed, but it is certainly lessened yearly.

The chief hindrances of today are represented in part by the tariff conditions of Transporters, and by their rates of charge; especially by the irregularities and discriminations of such rates, and by their sudden and severe fluctuations. They are also represented, in part, by suddenly developed incompetencies of Transporters to meet sudden growths of movement; or to meet promptly, clearly foreseen increases in demands for track, power, and carriage facilities. And they are finally also represented, to a large extent, by the evil results of many unwisely conducted struggles for traffic, and for monopoly of position, which are waged between railway cor-

porations, and which, by a curiously weak misnomer, are classified under the title of Competition.

It is to a consideration of some of these existing obstacles, which bar our way to more effective transportation conditions, that I will now ask your attention.

Perhaps our perception of the evils we suffer from, and of the possible remedies for them, may be quickened and clarified by first making plain to our minds, what conditions of transportation capacities we would like to have—what conditions, which, in the light of present knowledge, will probably be improvements on those we now possess, and yet not be beyond a reasonable hope of practical attainment. To set forth these new and desirable conditions with any approach to adequate fullness, I have found to be quite impossible within the limits of time permitted by a proper regard for your patience. I can therefore but hint at a few of their outlines; and, indeed, I have been obliged to restrict these hints to the subject of property movement only, and that by railway within the United States.

First, then, we must have reasonable rates of charge, and reasonable stability in such rates, so that the great interchanges of traffic will not have possible ruin always impending over their owners, through sudden and violent changes in tariffs. Today all traffic is so exposed, and many severe and costly demonstrations of this truth have made the boldest commercial minds, timid and halting in their movements, excepting when they can procure, in advance, and from competent authority, assurances against such risks. Communities which possess two or more really competitive routes, equally effective and far-reaching, are less exposed to this danger than others. It is indeed a frequent practice for a Transporter to maintain high charges to or from points which no other Transporter can reach, while making low rates to and from other points which are in competition with rivals. There are few practices more tempting to the Transporter, but none more ill-judged, nor more permanently harmful to both Transporter

and locality. It is an abominable evil which should be absolutely suppressed.

Stability must be attained, however, by means that will not stifle improvement. Destructive competition has, as its one good effect, the betterment and cheapening of methods; but surely our civilization is not at this day so crude that progress in method cannot be won in better ways than by the destructiveness of the savage.

Next: we must have a greater approximation to uniformity in rates of charge, and absolute freedom from inequitable discrimination between shippers. The big shippers must not be charged so much less than the little shippers, that the little ones shall perish and the big ones find their business increasingly swollen. It is proper and necessary to have a wholesale rate and a retail rate of charge; but the basis of the wholesale rate must, both for the public benefit and the interest of the Transporters, be small enough to be attained by the many, and not so large that it can only be reached by the few.

**AGAIN: WE MUST HAVE A SEPARATION OF TERMINAL AND TRANSFER CHARGES FROM THE ROAD CHARGES.** Terminals and transfer facilities are costly, and their expenses cannot be easily cheapened. The great future economies will be made in the movement between terminals, and it is this movement which the individual members of the public cannot provide cheaply, each for himself. It is here that the main usefulness of the great Transporter is found. Many shippers prefer to provide their own terminals and do their own terminal work. When they can do so they should have the right to do so, and they should not be charged for what they do themselves.

Again: we must have a separation of road charges into charges of a certain amount when cars are furnished by the road owner, and charges of a less amount when cars are furnished by others. Many prefer to furnish their own cars, and should be allowed to do so, and such division of the total road charges should be made as will fairly apportion them according to the relative capital and risk of each interest. This should apply, whether the car-owner carries traffic for himself

or for others. Under this regulation, shortage in car supplies will become less frequent, and the railway will approximate the character of a Common Highway; a result much to be desired.

Again: we must have, within defined limits, a practical blending, for the movement of cars and property, of all the railroads of the country, as they are now, and as they may be hereafter, into a single effective system. That is, the rates of road charges should be on a mileage basis, and should apply to the total mileage any shipment may make, regardless of the fact that it may, in its transit, pass over many roads differently owned. This will be easily accomplished if the divisions of the road charges already suggested be made, and if every road be compelled to move, with impartial promptness, over its tracks (but not into its terminals) every suitable car which may be offered to it.

Proper rules as to such interchange of cars, including also just requirements as to the character of the cars, should, of course, be established.

Again: railroad owners, as one of their duties, should be under compulsion to be suitably supplied with tracks and power. This is a question of difficulty, and ought not to be adjusted inequitably; but it should not be left, as it now is, wholly to the degree of providence or foresight, financial skill or commercial courage, possessed by each such road owner.

These leading changes impress me as absolutely essential to be made, and made as speedily as may be consistent with equity, legal power, practicability, and good judgment. They will constitute, I believe, a set of fairly effective remedies for the main imperfections yet developed of our present system of Inland Traffic Movement. There are, of course, other difficulties needing cure, including difficulties local to cities and to all closely settled communities, which I cannot touch on now.

If what I have said be correct, we have then to consider the equities involved in these changes; afterward the legal power to make them; and, finally, the practical method, if any can be found, of accomplishing them.

And first, what equities are to be considered? I take it no American, in his moments of sober thought, will feel that any readjustments of conditions can stand, or ought to stand, or will produce permanently useful results, unless they be founded on equity.

When, early in this century, the movement began among civilized nations, looking to inland transportation upon a scale beyond all precedent, each large community turned naturally to its governments, Municipal, Provincial, State or National, as the only available organizations competent to provide for a common need; the cost and apparent risk of which were so much beyond the range of individual power. Moreover, the idea of a Common Highway was properly a dominant one. Hence States built canals and railways and, later, lesser communities joined interests with individuals in constructing like works. The National Government of the United States built a great macadamized road. European governments embarked largely in the improved form of highways. Certain disadvantages in many cases were soon developed under governmental ownership and operation. Political necessities often took precedence of commercial necessities, and the governmental management became frequently incompetent and tainted.

Most communities in this country grew satisfied that the element of individual interest must be introduced to secure transportation efficiency and avoid governmental deterioration. The introduction of such an interest soon became, with a few exceptions, the general rule here, and forms of corporate organization were evolved, in which, under restrictions for the public protection thought at the time to be sufficient, but which have often since proved inadequate, the private interest of the Transporter became the leading motive and the convenience and interest of the public, subordinate considerations; excepting when and as it became clear to the Transporter that deference to the latter motives would contribute to his own prosperity.

Vast amounts of individual money have been invested in this form of public service, under the belief that this relation of interests would always continue.

It would be unfair to sacrifice to any improper degree these individual interests, thus authoritatively called into existence; but the time seems to have arrived when, through the processes here suggested, or such other processes as may seem to be wiser, but in any case by processes which shall be mutually just, the public service must take the front place as a motive, and the private interest of the Transporter an equitable, but a secondary, position.

The next point, that of legal power, is one which I think need hardly be considered at present. Under our form of government, whatever a sufficient number of the people ultimately, and after full consideration, decide shall become the law will be made the law, and the present moment is the time for discussion and for experimenting, and not for much law-making. We therefore come, finally, to the consideration of methods of reformation.

Railroad owners are clearly unable to introduce such methods unaided. They have tried to harmonize in various ways ever since the dawn of competition among them, and their efforts have been but a continuous succession of short-lived pacifications, alternated with longer periods of mutual reproaches, impartially distributed breaches of faith, and bitter and destructive rate wars, track wars, and wars over every other species of difference between them. The public look with disfavor upon peace conferences between railroad companies, and in fact have now made Pooling unlawful. The Pool was perhaps the most nearly successful form of traffic combination on a great scale ever made in this country; but it was only imperfectly maintained, and when its provisions seriously pinched the prosperity of any member, the Pool was only preserved, because those members whose interests it was aiding, winked at the secret remedial methods resorted to by the member whose interests it was harming.

The public disfavor would not have been unwise had the Pool been perfect. Such a huge combination of almost unchecked power over the fortunes of citizens would have certainly been unwholesome, and might easily have grown

dangerous. But the natural existing conditions make Pooling substantially harmless at present, and its illegality is, therefore, at this time a needless safeguard.

The separate States are clearly incompetent to establish efficient regulations. Their jurisdiction is limited to their own boundaries, while the controlling traffic is Continental.

There is but one power which can deal with the subject effectively, and that is the Government of the United States. This power has made a movement in this direction by enacting, and, to some extent, enforcing, the Interstate Commerce Law. The movement has been useful, but less so than was hoped for. It has cured something, and has probably tended to prevent more harm than it has discovered or punished. The commission created under it has labored under a radical disadvantage in not having among its members either trained transporters or capable merchants or manufacturers, and of being loaded with duties which entirely overtax a single tribunal. If it was confined to the duty of interpretation, and if the duty of enforcement was divided among a number of other tribunals, the results should be better. The power it claims, of determining absolutely the rates of charge, is a dangerous power, which Transporters are naturally contesting, and which, if it exists, should doubtless be modified.

The precise relation which the National Government should adopt toward this question is very uncertain in the public mind. Government ownership and operation is urged, but I think this view is not held by those who have carefully studied the subject. Such a course is open at present to many objections, some of which seem vital.

Probably the wisest relation it can now establish is that of a Controlling Regulator. Tariffs of charge and tariff conditions cannot be made with good judgment, excepting by trained experts, and such experts are to be found almost wholly engaged in performing the active duties of Transporters; therefore such tariffs should be primarily framed by the Transporters themselves.

Railroad owners can be forced by suitable National legis-

lation to wholly forego participation in foreign or interstate business, unless they unite in certain prescribed relations.

These relations should comprise proper regulations and agreements for the proper conduct of *all* their business, and proper tariff conditions and rates of charge; all upon the bases finally determined upon. Such agreements, after formulation, should be subject to the judgment of a National Tribunal composed of capable lawyers, transporters, and shippers. In cases of irreconcilable differences between that Tribunal and the Transporters, such differences should be controllingly passed on by the Supreme Court of the Nation. Variations in form or essence from such rates and regulations while in force should be punishable by heavy penalties, both corporate and individual; and the detection of such offenses and their punishment should be done at the National cost, and before any one of a sufficient number of National courts to insure convenience and prompt results. A few important convictions and punishments would probably make the subsequent legal business of this sort quite limited in quantity. Changes in either rates or rules thus established should be made only by the same authorities and through the same formal processes as the originals.

These suggestions, and perhaps all suggestions having similar purposes, will hardly commend themselves to the existing railway owner. No curtailment of privilege or power ever seemed wise at first to him who suffered such loss. But it should not be forgotten that this power is in the aggregate greater over the fortunes of the people than any ever before possessed, even by governments in times of peace, if the governments were free. The people of several of our States have already grown so restless under the existence of this power and some of its evil results that laws bearing a painful leaning toward confiscation have been enacted. Such laws of course hurt both sides, as all inequitable action always does; but they have been made, and will probably have worse successors, unless enlightened and competent remedies, consistent with peace, be established.

But I must close. The subject is illimitable, and does not easily adjust itself to condensation.

Permit me to thank you heartily for your patient attention to a topic which is so much more technical than dramatic.









## TRANSPORTATION

Extract from the address of Col. Joseph D. Potts before the Contemporary Club of Philadelphia, January 12, 1892:

AS PERTINENT TODAY AS IT  
WAS NINETEEN YEARS AGO

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"The question of Transportation, a certain phase of  
"which you have just heard discussed, is one of the  
"weightiest of living topics. It has grown more rapidly  
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